GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

STARRED QUESTION NO:229
ANSWERED ON:17.12.2003
LOSSES OF PUBLIC SECTOR TELECOM COMPANIES
MANIKRAO HODLYA GAVIT

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a)whether the public sector telecom companies are incurring huge financial losses ever since the private companies entered the telecom sector;

(b)if so, quantum of losses incurred alongwith the reasons therefor; and

(c)the measures taken or proposed to be taken by the Government to make up the losses?

Answer

THE MINISTER OF COMMUNICATIONS & INFORMATION TECHNOLOGY AND DISINVESTMENT (ARUN SHOURIE)

(a) to (c)A statement is laid on the Table of the House.
STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (c) OF LOK SABHA STA QUESTION NO. 229 FOR 17TH DECEMBER, 2003 REGARDING LOSSES OF PUBLIC SECTOR TELECOM COMPANIES.

(a) Sir, the public sector telecom service providers viz. BSNL and MTNL are not incurring financial losses although there has been a declining trend in the profit margins of these companies. The net profits of MTNL and BSNL for the years 2001-02 and 2002-03 are as follows:

Net Profit in crores of Rupees

PSU 2001-02 2002-03 MTNL 1300.68 877.15 BSNL 6312.17 1444.45
However, M/s ITI Ltd., the public sector telecom production company has been incurring financial losses.

(b) During 2002-2003 and in the first two quarters of the current year, M/s ITI Ltd. incurred loss of Rs.375 crores and 269 crores respectively. The main reasons for losses are the surplus manpower, shift in market preference from fixed lines to mobile lines, interest burden on outstanding borrowings, and the fact that the company did not switchover in time to manufacturing the newer types of equipment.

(c) The measures being taken to make up for the losses of M/s ITI Ltd. are as follows:-

(i) To reduce the wage and salary bill under the latest Voluntary Retirement Scheme that closed on 25.11.2003, a total of 3,721 employees out of the 11,000 surplus manpower are being released.

(ii) A Revival Plan submitted by the company for financial assistance of Rs.793.17 crores is under consideration of the Government.

(iii) Rs. 100 crores and Rs. 200 crores were infused as additional equity in ITI towards redeemable cumulative preference shares by MTNL and BSNL during March 2002 and March 2003 respectively.